

AR17



1978



NOVA SCOTIA SAVINGS & LOAN
COMPANY
129th Annual Report

Our Cover reproduces the second of four paintings by Nova Scotian artist, G. P. Backman, to appear on an Annual Report of Nova Scotia Savings & Loan Company. This painting entitled "Winter Wonderland" depicts that season in Nova Scotia with its specific setting in Cape Breton Island.

Like the Summer (Blue Rocks) scene featured on our 1977 Report, the snowtime canvass, along with two further companion pieces (Spring and Autumn) grace the walls of our Board Room and offices. Over the years, the four works have occasioned much interest and comment. The other two paintings are scheduled to appear on future Annual Reports of the Company.

Mr. Backman also serves Nova Scotia Savings & Loan Company as Advertising Consultant and Artist/Publicist.

FINANCIAL HIGHLIGHTS



	1978	1977	% INCREASE (DECREASE)
TOTAL ASSETS	\$384,527,341	\$347,633,487	10.6
MORTGAGES	351,889,698	316,786,436	11.1
DEBENTURES & ACCRUED INTEREST	301,177,338	275,170,487	9.5
SAVINGS & DEPOSIT RECEIPTS	63,616,633	52,251,596	21.8
INCOME	38,771,247	35,902,738	8.0
INCOME PER COMMON SHARE	40.71	37.70	
EXPENSE	35,930,972	32,137,428	11.8
EXPENSE PER COMMON SHARE	37.73	33.75	
OPERATING INCOME BEFORE SECURITIES GAINS	1,674,475	2,171,110	(22.9)
DIVIDENDS DECLARED ON COMMON SHARES	952,318	952,318	
DIVIDENDS PAID PER COMMON SHARE	1.00	1.00	
SHAREHOLDERS' EQUITY	16,368,018	15,846,167	3.3
EARNINGS PER COMMON SHARE ^{1&2}	1.55	2.05	(24.4)
NUMBER OF OUTSTANDING COMMON SHARES	952,318	952,318	

¹1977 Earnings per Common Share include net securities gains of \$84,045, while in 1978 net securities gains of \$106,378 were recorded.

²1977 and 1978 Earnings per Common Share are calculated on earnings after payment of dividends on preferred shares.

For the information of shareholders, the valuation day value of the Company's common stock for capital gains tax purposes as published by the Department of National Revenue, Taxation, is \$15.50.

DIRECTORS' REPORT

To the Shareholders:

The Board of Directors is pleased to present the Company's 129th Annual Report for the year ended December 31, 1978. Reduced net profit levels were recorded due to decreased yields within the mortgage markets. Income continued to improve over preceding fiscal periods which resulted in an 8% increase over 1977. However, expenses increased by 11.8% over the previous year. Adequate growth was achieved in both the mortgage portfolio and deposit-taking accounts of the Company. Total assets at year end were \$384,527,341, an increase of \$36,893,854.

Income and Dividends

Total income increased to a record level of \$38,771,247, the result of the Company being able to continue to advance funds on mortgages. However, the rate of increase in administration expense and the cost of borrowed funds produced an increase in the total operating costs. As a result the Company's operating income of \$1,674,475 was 22.9% below the level of 1977. Earnings per common share from operations were \$1.44, with the sale of investments producing an additional 11 cents resulting in earnings for 1978 totalling \$1.55 per common share as compared to \$2.05 per common share for the preceding fiscal year.

A regular common share dividend of 25 cents per share was paid in each quarter. The Series A preferred shareholders received a dividend of 51.25 cents per share on a quarterly basis.

Mortgages

Total mortgage approvals were \$124,072,500, an increase of 11.2% over 1977. This is a notable achievement compared to the industry in general which reported a decrease in mortgage demand and a surplus in available mortgage funds. Applications were received from all areas of our operations with the majority coming from the Province of Alberta and in particular the cities of Calgary and Edmonton.

Debentures and Deposits

Total deposits in debentures, deposit receipts and savings were \$365,903,916, an increase of 11.2% over 1977. This increase of \$36,816,915 in our deposit accounts is due to the continued support of the investing public and through the efforts of our brokers and agents. This support is encouraging as the requirement for additional funds for mortgages is continuing.

Mortgage Arrears and Real Estate Held For Sale

Mortgage arrears as a percentage of the total outstanding mortgage portfolio at year end were 0.281% versus 0.505% as reported one year ago.

As a result of continuing foreclosures, the Company has set aside funds to provide for doubtful accounts. The total transfer to this account in 1978 was \$705,000 and at year end the reserve for doubtful accounts totalled \$1,228,832 which is considered sufficient to protect the Company against further losses.



The Board of Directors and Executive Committee

At last year's Annual Meeting the number of Directors was increased to nine, resulting in the appointment of two additional Directors — Leonard H. Lockhart, Moncton, New Brunswick, and Sidney M. Oland, Toronto, Ontario.

An Executive Committee of the Board of Directors was appointed and has been meeting on a regular weekly basis. An Audit Committee of the Board was also appointed in 1978.

Mr. S. S. Jacobson will retire at the conclusion of this year's Annual Meeting on March 16, 1979. He has served the Company with great distinction as a Director since March 11, 1966, and was elected Vice-President effective July 1, 1968. The Directors wish to extend to Mr. Jacobson their sincere thanks for his many years of dedicated and loyal service to Nova Scotia Savings & Loan Company.

Our Employees and Company Representatives

In the spring of 1979 the Spryfield Branch will be relocated in the Clayton Park Shopping Centre, and an office has been opened in Calgary, Alberta.

Our employees have effectively initiated the development of programs which will enable the Company to diversify its lending portfolios, with the objective of increasing revenues. At the same time our agents have performed admirably by co-operating with the Company in meeting the existing competition.

Outlook for 1979

Our chief concern continues to be the shrinking spread between mortgage interest rates and higher costs, particularly the cost of borrowed funds. Competition in the mortgage markets is increasing as a result of a decrease in construction starts, especially in Atlantic Canada, and aggressive involvement in this area by the chartered banks. These factors tend to create a situation whereby pressure on lenders increases as the spreads narrow.

In order to meet this competition, it is essential that amendments be made to proposed and existing legislation so as to create an environment conducive to providing mortgage and deposit services best suited to the general public and at the same time enabling the Company to sustain acceptable operating results. Further improvement in operating income can be achieved by careful and prudent diversification programs which your Company is presently implementing to meet these situations and to ensure a stable and adequate performance in future periods.

President and Chief Executive Officer

Auditors' Report to the Shareholders

We have examined the balance sheet of Nova Scotia Savings & Loan Company as at December 31, 1978 and the statements of income, retained earnings, general reserve and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

Halifax, Canada
January 11, 1979

NOTES TO FINANCIAL STATEMENTS

December 31, 1978

1. Deferred income taxes:

These have arisen as a result of the deduction in computing income for tax purposes of amounts allowable in respect of mortgage reserves in excess of amounts provided for in the accounts. In 1968, the company adopted the tax allocation basis of accounting and has recorded deferred taxes in the amount of \$1,780,500. No provision has been made for the amount of \$237,000 relating to 1967 and prior years.

2. Capital stock:

Authorized:

500,000 cumulative redeemable preferred shares, issuable in series of the par value of \$20 each

2,500,000 common shares of the par value of \$2 each

Issued and fully paid:

	1978	1977
150,000, 10.25% Series A, cumulative redeemable preferred shares	\$3,000,000	\$3,000,000
Less 400 shares redeemed	8,000	8,000
	2,992,000	2,992,000
952,318 common shares	1,904,636	1,904,636
	<u>\$4,896,636</u>	<u>\$4,896,636</u>

The Series A preferred shares may be redeemed on or after July 1, 1980 at \$21.40 plus accrued and unpaid dividends. The redemption price will decrease by 20¢ per share for each two year interval through to July 1, 1992 after which time the redemption price shall be \$20.20 per share.

The company is required, subject to certain terms and conditions, to annually retire 7,500 Series A preferred shares by purchase in the open market at a price not exceeding \$20 per share plus accrued and unpaid dividends. Investment market conditions during 1978 did not permit such purchases.

3. Commitments:

Aggregate rentals payable during each of the next five years under long-term leases of premises and equipment amount to approximately \$351,863. Included in administration expense for the year ended December 31, 1978 is an aggregate amount of \$368,177 in respect of such rentals.

4. Pension obligation:

The unfunded past service liability with respect to the employees' pension plan based on an actuarial study dated September 13, 1978 was estimated to be approximately \$251,600 at January 1, 1978. Payments of \$31,800 are being made annually and charged to operations with the intention of fully funding the past service liability by December 31, 1987. Subject to specified conditions, the Directors retain the right to amend, modify or terminate the plan.

STATEMENT OF INCOME



Year ended December 31, 1978 (with comparative figures for 1977)

	1978	1977
INCOME:		
Interest from mortgages and other loans	\$36,336,416	\$33,449,994
Investment income	2,085,318	2,070,343
Fees and commissions	260,332	267,632
Other operating revenue	89,181	114,769
	<u>38,771,247</u>	<u>35,902,738</u>
EXPENSES:		
Interest on deposits and borrowings	31,949,356	28,431,220
Administration	3,089,698	2,631,174
Provision for losses and accounts written off	837,186	1,022,384
Depreciation and amortization	54,732	52,650
	<u>35,930,972</u>	<u>32,137,428</u>
Operating income before income taxes	2,840,275	3,765,310
Income taxes:		
Current	1,002,800	1,783,200
Deferred	163,000	(189,000)
	<u>1,165,800</u>	<u>1,594,200</u>
Operating income before securities gains	1,674,475	2,171,110
Securities gains, less related income taxes	106,378	84,045
Net income	<u>\$ 1,780,853</u>	<u>\$ 2,255,155</u>
Earnings per common share:		
Income before securities gains	\$ 1.44	\$ 1.96
Securities gains	.11	.09
Net income	<u>\$ 1.55</u>	<u>\$ 2.05</u>

See accompanying notes to financial statements, page 4.

NOVA SCOTIA SAVINGS & LOAN C


BALANCE SHEET

December 31, 1978 (with comparative figures for 1977)

	1978	1977
ASSETS		
Cash and short-term deposits	\$ 1,535,600	\$ 2,968,137
Investments, at cost:		
Bonds and accrued interest	2,221,376	892,410
Chartered banks deposit certificates and accrued interest	17,357,536	18,019,232
Stocks	5,672,287	4,933,705
	<u>25,251,199</u>	<u>23,845,347</u>
Quoted market value:		
December 31, 1978 — \$25,506,599		
December 31, 1977 — \$24,068,837		
Loans:		
Mortgages, agreements of sale and accrued interest, less allowance for doubtful accounts	351,637,252	316,495,380
Consumer loans	252,446	291,056
	<u>351,889,698</u>	<u>316,786,436</u>
Other assets:		
Real estate held for sale at estimated realizable value	4,823,318	3,064,155
Real estate held for future development, at cost	173,009	173,009
Equipment and furnishings, at cost, less depreciation	136,285	102,962
Leasehold improvements, at cost, less amortization	139,759	153,515
Income taxes recoverable	250,000	—
Sundry	328,473	539,926
	<u>5,850,844</u>	<u>4,033,567</u>
	<u><u>\$384,527,341</u></u>	<u><u>\$347,633,487</u></u>

See accompanying notes to financial statements, page 4.

The undersigned officials of Nova Scotia Savings
that, to the best of their knowledge and belief, the



President and Chief Executive Officer



	1978	1977
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits and borrowings:		
Savings deposits	\$ 13,428,635	\$ 12,541,657
Deposit receipts and accrued interest	50,187,998	39,709,939
Debentures and accrued interest	301,177,338	275,170,487
Subordinated notes and accrued interest	1,109,945	1,664,918
	<u>365,903,916</u>	<u>329,087,001</u>
Other liabilities:		
Amounts held for insurance and tax payments on mortgaged properties	125,656	131,568
Income taxes payable	—	600,000
Dividends payable	314,751	314,751
Provision for pensions	34,500	36,500
	<u>474,907</u>	<u>1,082,819</u>
Deferred income taxes (note 1)	1,780,500	1,617,500
Shareholders' equity:		
Capital stock (note 2)	4,896,636	4,896,636
General reserve	8,500,000	8,100,000
Retained earnings	2,971,382	2,849,531
	<u>16,368,018</u>	<u>15,846,167</u>
	<u>\$384,527,341</u>	<u>\$347,633,487</u>

pan Company hereby certify that they have examined the financial statements of the company and
ements are correct and show truly and clearly the financial condition of the company's affairs.

Vice-President

General Manager

STATEMENT OF RETAINED EARNINGS

Year ended December 31, 1978 (with comparative figures for 1977)

	1978	1977
Balance, at beginning of year	\$2,849,531	\$2,642,378
Net income for the year	1,780,853	2,255,155
	<u>4,630,384</u>	<u>4,897,533</u>
Deduct:		
Dividends — common	952,318	952,318
— preferred	306,684	306,684
Transfer to general reserve	400,000	600,000
Deferred income taxes	—	189,000
	<u>1,659,002</u>	<u>2,048,002</u>
Balance, at end of year	<u>\$2,971,382</u>	<u>\$2,849,531</u>

STATEMENT OF GENERAL RESERVE

Year ended December 31, 1978 (with comparative figures for 1977)

	1978	1977
Balance, at beginning of year	\$8,100,000	\$7,500,000
Transfer from retained earnings	400,000	600,000
Balance, at end of year	<u>\$8,500,000</u>	<u>\$8,100,000</u>

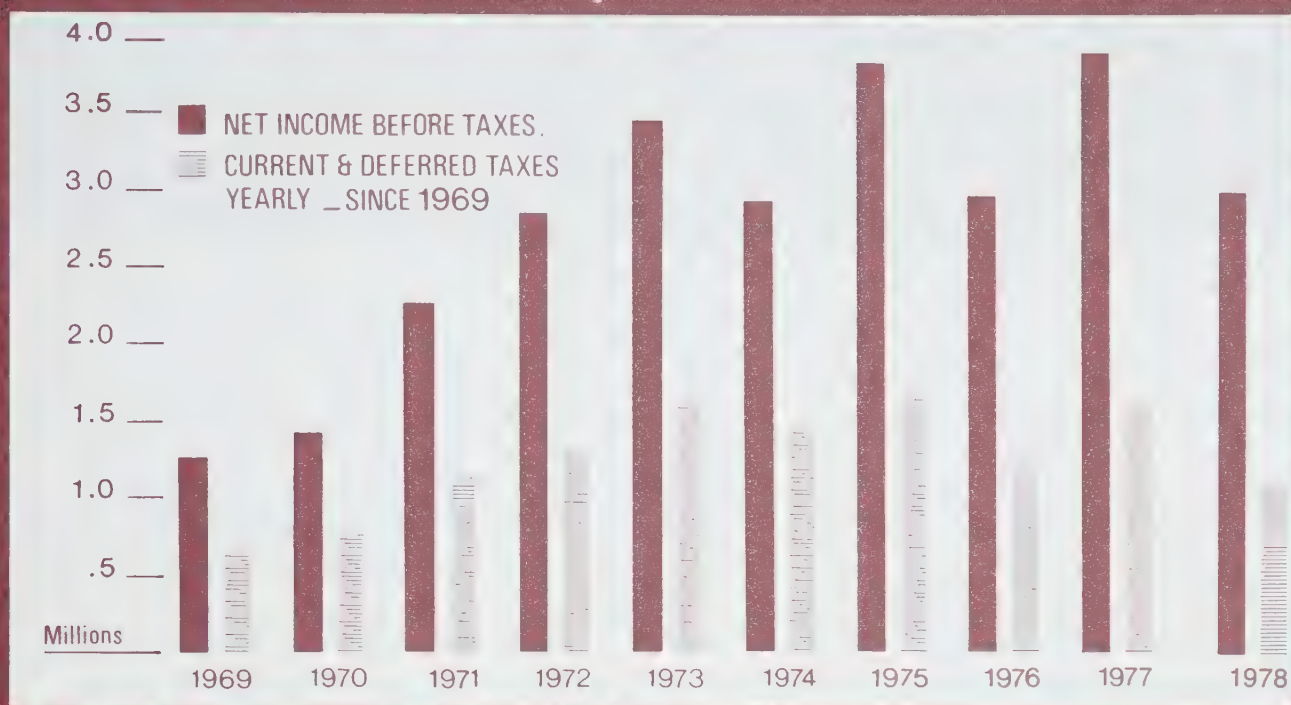
STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31, 1978 (with comparative figures for 1977)

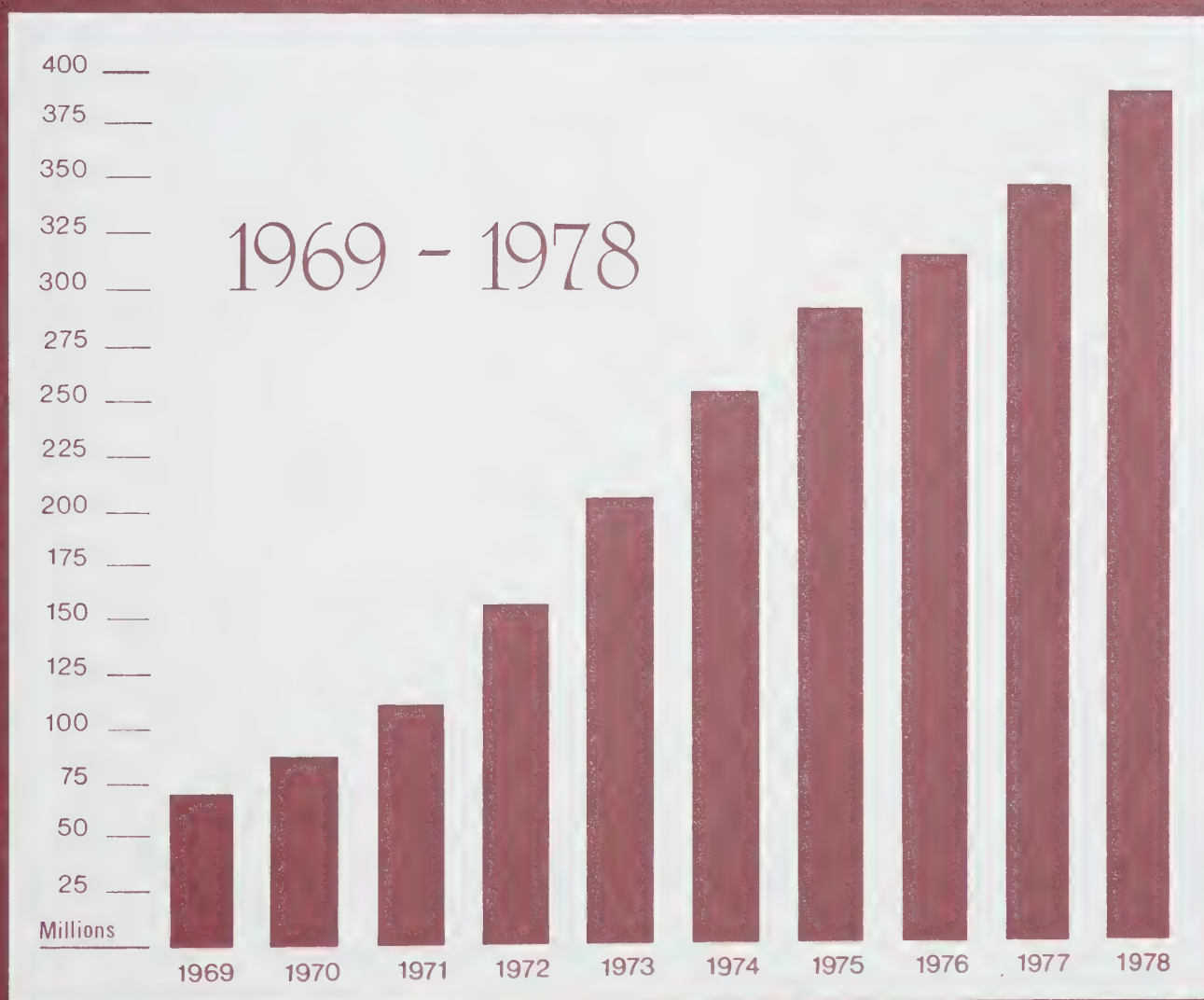
	1978	1977
FUNDS PROVIDED:		
Net income	\$ 1,780,853	\$ 2,255,155
Add items not requiring a current outlay of cash	922,732	623,650
	<u>2,703,585</u>	<u>2,878,805</u>
Funds provided by operations	2,703,585	2,878,805
Increase in debentures and deposits	36,816,915	31,137,312
Increase in other liabilities	—	354,531
Cash, bank, short-term deposits	1,432,537	—
	<u>\$40,953,037</u>	<u>\$34,370,648</u>
FUNDS APPLIED TO:		
Increase in investments	1,405,852	430,039
Increase in loans	35,103,262	27,969,573
Increase in real estate held for sale	2,464,163	946,930
Additions to equipment, furnishings and leasehold improvements	74,299	68,585
Dividends paid on common stock	952,318	952,318
Dividends paid on preferred stock	306,684	306,684
Decrease in other liabilities	607,912	—
Cash, bank, short-term deposits	—	3,338,240
Other	38,547	358,279
	<u>\$40,953,037</u>	<u>\$34,370,648</u>

See accompanying notes to financial statements, page 4.

Income Growth Comparatives & Related Taxation



Total Asset Growth



COMPARATIVES

(ALL AMOUNTS ARE EXPRESSED IN THOUSANDS EXCEPT AS INDICATED*)

INCOME	1978	1977	1976	1975
Income	\$ 38,771	\$ 35,903	\$ 31,788	\$ 28,913
% of Increase	* 8.0%	12.9%	9.9%	20.5%
EXPENSE				
Cost of Borrowed Money	\$ 31,949	\$ 28,431	\$ 26,123	\$ 23,143
Administration Expense	3,090	2,631	2,263	1,623
Provision for Losses and Accounts Written Off	837	1,023	429	215
Depreciation & Amortization	55	53	48	39
Administration Expense as % of Income	* 8.0%	7.3%	7.1%	5.6%
EARNINGS				
Net Income Before Taxes	\$ 2,840	\$ 3,765	\$ 2,925	\$ 3,893
Securities Gains (Losses) Net	106	84	—	(4)
Income Taxes — Current	1,002	1,783	1,168	1,575
— Deferred	163	(189)	97	220
Net Income Available for Distribution	1,781	2,255	1,660	2,094
Per Common Share	* 1.55 ^{1&3}	2.05 ^{1&3}	1.42 ^{1&3}	2.04 ^{1&3}
Dividends Paid Per Common Share	* 1.00	1.00	1.00	1.00
EQUITY				
Preferred	\$ 2,992	\$ 2,992	\$ 2,992	\$ 3,000
Common	13,376	12,854	12,047	11,647
Net Earnings after Taxes on Common Shareholders' Equity	* 13.3%	17.5%	13.8%	18.0%
ASSETS				
Mortgages	\$351,890	\$316,786	\$288,817	\$263,536
Investments (at cost)	25,251	23,845	23,415	21,084
Total Assets	384,527	347,633	315,742	287,156
% Total Asset Growth	* 10.6%	10.1%	10.0%	12.3%
SAVINGS & DEBENTURES				
Savings & Deposit Receipts	\$ 63,617	\$ 52,252	\$ 50,038	\$ 47,940
Debentures & Accrued Interest	301,177	275,170	246,247	219,222

¹ Earnings Per Common Share in 1973 includes net securities gains of \$121,350; in 1974 includes net securities gains of \$280,136; in 1975 includes net securities losses of \$3,677; in 1976 includes net securities gains of \$366; in 1977 includes net securities gains of \$84,045; in 1978 includes net securities gains of \$106,378.

² Earnings Per Common Share in 1973 are based on the weighted average of 926,007 shares, being 847,075 for the first quarter and 952,318 for the remaining three quarters.

³ 1975, 1976, 1977 and 1978 Earnings Per Common Share are calculated on earnings after payment of dividends on preferred shares.

1978 — 1969

1974	1973	1972	1971	1970	1969
\$ 23,991 35.8%	\$ 17,661 40.7%	\$ 12,548 32.5%	\$ 9,468 32.0%	\$ 7,171 29.6%	\$ 5,532 29.6%
\$ 19,784 1,385	\$ 13,100 1,165	\$ 8,762 907	\$ 6,557 596	\$ 5,181 550	\$ 3,786 470
7 34	1 41	14 29	8 24	1 21	— 19
5.8%	6.6%	7.2%	6.3%	7.7%	8.5%
\$ 2,781 280 835 559	\$ 3,354 121 1,072 555	\$ 2,836 835 458	\$ 2,283 932 178	\$ 1,418 669 38	\$ 1,257 588 36
1,667 1.75 ¹	1,848 2.00 ^{1&2}	1,543 1.82	1,173 1.38	711 .84	633 .75
1.00	.92	.78	.51	.40	.37
\$ — 10,914	\$ — 10,198	\$ — 7,109	\$ — 6,224	\$ — 5,481	\$ — 5,107
15.3%	18.1%	21.7%	18.8%	13.0%	12.4%
\$234,938 14,968 255,682 22.9%	\$192,529 12,593 208,031 36.5%	\$141,025 9,674 152,416 38.7%	\$100,949 7,094 109,876 28.1%	\$79,393 5,843 85,749 25.6%	\$65,563 2,291 68,285 17.7%
\$ 49,570 192,678	\$ 45,841 148,226	\$ 30,523 113,458	\$ 21,190 81,516	\$16,228 63,428	\$ 8,316 54,085

Capacity for communicating



To a reputation for providing a high quality of traditional, personalized service so valued by customers, Nova Scotia Savings & Loan Company continues to add new dimensions of the computer age. Selected photo-glimpses (clockwise, starting top left) show aspects of this winning combination in action:



At Halifax Branch Savings Department, customers receive courteous service from counter staff . . . Ruth Tracey, Supervisor Savings Department, gives special attention to a customer . . . Susan McRae, data systems staff, operates in the computer communications centre . . . Heather Fleming, Halifax Branch Mortgage Officer, conveys computer information to a customer . . . at the Company's Calgary Office, Fred Jensen, Manager Western Operations, observes while Arlene Sweeney communicates with Head Office, Halifax . . . Roland H. Brewer, Manager Halifax Branch, takes a visual computer readout of a client's account.



Board of Directors Officers Management



THE BOARD

*G. Ross Guy, M.C.
Business Executive

†*A. Russell Harrington, B.E., D.Eng., D.C.L.
Business Executive

*Austin E. Hayes, B.Com.
President, Hayes Enterprises Limited

*Samuel S. Jacobson, B.Com., M.B.A. (Harv.)
Business Executive

†Leonard H. Lockhart
President, Lock-Wood Limited

†*Hector McInnes, B.A., LL.B., LL.M., Q.C.
*Partner; McInnes, Cooper & Robertson
(Barristers and Solicitors)*

Sidney M. Oland, M.A., M.B.A. (Harv.)
*Vice-President and General Manager,
Labatt's Ontario Breweries*

*George C. Piercey, C.M.M., Q.C.
*Chairman of the Board, President and Chief
Executive Officer, Nova Scotia Savings &
Loan Company*

†*Lloyd R. Shaw, B.A., M.A.
President, L.E. Shaw Investments Limited

*Member of the Executive Committee

†Member of the Audit Committee

OFFICERS

George C. Piercey, C.M.M., Q.C.
*Chairman of the Board, President and Chief
Executive Officer*

Samuel S. Jacobson, B.Com., M.B.A. (Harv.)
Vice-President

Robert T. Hammer, R.I.A.
General Manager

Reuben C. Cluett, R.I.A.
Treasurer and Controller

Barrie H. Black, B.A., LL.B., LL.M.
General Counsel

Russell G. Buell
Supervisor Personnel and Administration

Pauline E. Helms
Secretary

HEAD OFFICE DEPARTMENTS

Robert D. Brownrigg
Senior Manager, Mortgage Investments

Grant I. Warwick
Manager Deposit Services

Margaret E. McCoombs
Manager Debenture Sales

Margaret R. Hendrie, B.Com.
Manager Term Deposits

David R. Canning
Credit Manager

Lauchlin W. MacDonald, B.Sc.
Property Manager

Roderick T. Glencross, B. Com., R.I.A.
Systems Analyst

Donald A. Folks
*Manager Computer Systems and
Programming*

Frank J. Boutilier
Manager Data Centre Operations

Roy A. Caborn
Chief Accountant

OFFICE MANAGERS

G. Fredrick Jensen
Calgary

BRANCH MANAGERS

Ronald B. Conrod
Dartmouth

Roland H. Brewer
Halifax

Thomas E. Davidson
New Glasgow

Richard B. Pitts, B.A.
Saint John

Alan F. Henderson
Spryfield

Bankers

The Bank of Nova Scotia
The Royal Bank of Canada

HEAD OFFICE:

11th Floor, Centennial Building
1645 Granville Street
P.O. Box 670
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B3J 2T3
Phone: (902) 423-1181

OFFICES of the COMPANY

OFFICES:

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BRANCHES:

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P.O. Box 724
Dartmouth, Nova Scotia
B2Y 3Z3
Phone: (902) 463-4666

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Saint John, New Brunswick
E2L 4E3
Phone: (506) 652-1820

133 Provost Street
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New Glasgow, Nova Scotia
B2H 5E1
Phone: (902) 755-5080

337 Herring Cove Road
P.O. Box 1115 Armdale
Halifax, Nova Scotia
B3L 4L5
Phone: (902) 477-8005



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MEMBER: CANADA DEPOSIT INSURANCE CORPORATION
LISTED ON THE TORONTO STOCK EXCHANGE & MONTREAL STOCK EXCHANGE

AR17

HEAD OFFICE,
AND OFFICES

OF THE COMPANY

HEAD OFFICE:

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Phone: 423-1181

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50 Portland Street
P.O. Box 724
Dartmouth, Nova Scotia
B2Y 3Z3
Phone: 463-4666

18 King Street
P.O. Box 1029
Saint John, New Brunswick
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OFFICES:

1320 Dome Tower
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Member Canada Deposit Insurance
Corporation

Stock Listed on
The Montreal
and
Toronto Stock Exchanges



NOVA SCOTIA SAVINGS & LOAN COMPANY

Report for Six Months Ended June 30, 1978
(Unaudited)

To Our Shareholders:

The unaudited results for the first six months of 1978 are shown in this report. Income at \$19,127,151 was 7.9% higher than one year ago. Expenses, which include additions to the reserve for losses, were 11.1% higher than the 1977 figures. Net profit after taxes was \$913,354, a decrease of 18.6% from the after tax profit of \$1,121,330 achieved a year ago. After payment of dividends on preferred shares, net earnings were equivalent to 80 cents per common share, compared to \$1.02 for the first six months of 1977 and 68 cents in 1976. This reduction in earnings is attributable to transfers to the reserve for losses, and is not the result of increased operating expenses. In maintaining what they consider to be an adequate reserve your Directors have taken a conservative approach to the matter, in view of prevailing economic conditions and high unemployment.

On the positive side our mortgage arrears picture has improved considerably, and as at June 30, 1978, the total of all arrears was 0.315% of the outstanding mortgage portfolio.

The Company's growth rate has been maintained. Assets at \$366,942,187 are 11% higher than a year ago, and our mortgage portfolio amounts to \$334,617,737, an increase of 10.6%.

On behalf of the Board.

Halifax, Nova Scotia
July 17, 1978

President and Chief
Executive Officer

NOVA SCOTIA SAVINGS & LOAN COMPANY

Six Months Ended June 30, 1978

(Unaudited)

	1978	1977	% Increase (Decrease)
Income	\$ 19,127,151	\$ 17,727,552	7.9
Expense	17,567,256	15,807,211	11.1
Operating income before income taxes	1,559,895	1,920,341	
Income taxes	647,242	800,256	
Operating income before securities gains	912,653	1,120,085	(18.5)
Securities gains, less related income taxes	701	1,245	
Net income after securities gains	913,354	1,121,330	(18.6)
Dividends declared on preferred shares	153,342	153,342	
Per common share before securities gains	\$.80	\$ 1.02	
Securities gains	—	—	
Per common share after securities gains	\$.80	\$ 1.02	
Dividends declared on common shares	476,159	476,159	
Per share	\$.50	\$.50	
Assets	\$366,942,187	\$330,679,096	11.0
Mortgages	334,617,737	302,565,990	10.6
Debentures and deposits	348,655,597	312,722,598	11.5
Net increase in assets since December 31	\$ 19,308,700	\$ 14,936,745	
Net increase in mortgage investments since December 31	17,831,301	13,749,127	
Net increase in debentures and deposits since December 31	19,568,596	14,772,909	

Note: Earnings per common share are calculated on earnings after payment of dividends on preferred shares.